

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)

(Incorporated in Malaysia)

**QUARTERLY REPORT**

Quarterly report on consolidated results for the financial quarter and the year ended December 31, 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER  
AND THE YEAR ENDED DECEMBER 31, 2016**

	INDIVIDUAL 4 <sup>TH</sup> QUARTER		CUMULATIVE 4 <sup>TH</sup> QUARTER	
	31/12/2016 Unaudited RM'000	31/12/2015 Unaudited RM'000	31/12/2016 Unaudited RM'000	31/12/2015 Audited RM'000
1 Revenue	1,326,422	1,355,905	5,271,047	5,572,186
2 Operating expenses	(1,308,262)	(1,340,874)	(5,204,394)	(5,522,080)
3 Other operating income	1,716	226	8,580	4,872
4 Profit from operations	19,876	15,257	75,233	54,978
5 Finance cost	(1,716)	(1,458)	(6,336)	(3,969)
6 Profit before taxation	18,160	13,799	68,897	51,009
7 Taxation	(4,794)	(3,718)	(18,430)	(14,173)
8 Profit for the period from operations, net of tax	13,366	10,081	50,467	36,836
10 Net profit for the period	13,366	10,081	50,467	36,836
11 Other comprehensive income :				
- Currency translation differences arising from consolidation	21	(12)	19	88
12 Total comprehensive income	13,387	10,069	50,486	36,924
13 Net profit attributable to owners of the parent	13,366	10,081	50,467	36,836
14 Total comprehensive income attributable to owners of the parent	13,387	10,069	50,486	36,924
15 Earnings per share (EPS) based on item 13 above (See Note 1 below)				
(i) EPS attributable to owners of parent	8.48	6.39	32.01	23.36

Note:

1 The weighted average number of shares used in item 15 above is computed : 157,658,076 shares.

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended December 31, 2015 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2016**

	31/12/2016 Unaudited RM'000	31/12/2015 Audited RM'000
1 Non Current Assets		
Property, plant and equipment	31,664	34,240
Intangible assets	621	1,625
Deferred tax assets	3,740	3,118
	<u>36,025</u>	<u>38,983</u>
2 Current Assets		
Inventories	603,162	563,784
Trade and other receivables	1,091,427	1,109,038
Derivative financial instrument	313	0
Deposits, bank and cash balances	125,871	106,905
	<u>1,820,773</u>	<u>1,779,727</u>
3 Total Assets	<u><b>1,856,798</b></u>	<u><b>1,818,710</b></u>
4 Equity		
Ordinary share capital	157,658	157,658
Share premium	24,514	24,514
Foreign currency translation reserve	175	156
Retained earnings	348,740	313,251
Equity attributable to owners of parent	<u>531,087</u>	<u>495,579</u>
5 Current Liabilities		
Trade and other payables	1,237,706	1,231,034
Derivative financial instrument	-	89
Borrowings	82,932	88,200
Taxation	2,355	1,071
	<u>1,322,993</u>	<u>1,320,394</u>
6 Non Current Liabilities		
Long term liabilities	2,718	2,737
	<u>2,718</u>	<u>2,737</u>
7 Total Liabilities	<u><b>1,325,711</b></u>	<u><b>1,323,131</b></u>
8 Total Equity and Liabilities	<u><b>1,856,798</b></u>	<u><b>1,818,710</b></u>
9 Net assets per share attributable to ordinary equity holders of the company (RM)	<u>3.3686</u>	<u>3.1434</u>

The unaudited Condensed Consolidated Statement of Finance Position should be read in conjunction with the audited annual financial statements for the year ended December 31, 2015 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016**

	Issued and fully paid ordinary shares of RM1.00 each		Attributable to owners of the parent		Total Equity	
			Non-distributable		Distributable	
			No of shares 000	Nominal value RM'000	Share premium on ordinary shares RM'000	Foreign currency translation reserve RM'000
<b><u>THE YEAR ENDED DECEMBER 31, 2016</u></b>						
At January 1, 2016	157,658	157,658	24,514	156	313,251	495,579
Total comprehensive income for the period	-	-	-	19	50,467	50,486
Dividends	-	-	-	-	(14,978)	(14,978)
At December 31, 2016	157,658	157,658	24,514	175	348,740	531,087
<b><u>THE YEAR ENDED DECEMBER 31, 2015</u></b>						
At January 1, 2015	157,658	157,658	24,514	68	291,393	473,633
Total comprehensive income for the period	-	-	-	88	36,836	36,924
Dividends	-	-	-	-	(14,978)	(14,978)
At December 31, 2015	157,658	157,658	24,514	156	313,251	495,579

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited annual financial statements for the year ended December 31, 2015 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	31/12/16 Unaudited RM'000	31/12/15 Audited RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit attributable to owners of the parent	50,467	36,836
Adjustments for non-cash items:		
Depreciation	9,531	9,274
Amortization of trademark	1,004	1,004
Unrealised derivative (gains)/losses	(387)	168
Gain on disposal of property, plant and equipment	(163)	(97)
Written off property, plant and equipment	-	117
Write-back of provision for property restoration cost	-	(123)
Interest income	(449)	(468)
Interest expenses	6,336	3,969
Allowance for impairment of trade receivables	14,956	1,507
Inventories written off	9,607	13,851
Net (write back)/allowance of inventory obsolescence	(582)	384
Net unrealised foreign exchange loss	925	387
Currency translation differences arising from consolidation	19	88
Income tax expense	18,430	14,173
Other non-cash items	-	-
Operating cash flows before changes in working capital	<u>109,694</u>	<u>81,070</u>
Changes in working capital:		
Inventories	(48,403)	(104,130)
Trade and other receivables	2,187	(207,544)
Trade and other payables	6,786	232,962
	<u>(39,430)</u>	<u>(78,712)</u>
Interest paid	(6,234)	(3,976)
Interest received	449	468
Tax paid	(17,300)	(17,594)
Post-employment benefit obligation paid	(741)	(352)
<b>Net cash flows generated from/(used in) operating activities</b>	<u><b>46,438</b></u>	<u><b>(19,096)</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(7,673)	(21,193)
Proceed from disposal of property, plant and equipment	447	149
<b>Net cash flows used in investing activities</b>	<u><b>(7,226)</b></u>	<u><b>(21,044)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayment)/borrowing	(5,268)	68,100
Dividend paid	(14,978)	(14,978)
<b>Net cash flows used in financing activities</b>	<u><b>(20,246)</b></u>	<u><b>53,122</b></u>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>	<b>18,966</b>	<b>12,982</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	106,905	93,923
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>125,871</b></u>	<u><b>106,905</b></u>
Note : Cash and cash equivalents comprise of :-		
Deposits, bank and cash balances	125,871	106,905
	<u>125,871</u>	<u>106,905</u>

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended December 31, 2015 and the accompanying explanatory notes attached to the interim financial statements.

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The figures have not been audited

**SEGMENTAL INFORMATION**

<b><u>For the Year Ended December 31, 2016</u></b>	<b><u>Marketing &amp; Distribution Services</u></b>	<b><u>Logistics Services</u></b>	<b><u>Others</u></b>	<b><u>Consolidated</u></b>
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Total revenue	2,657,659	2,560,178	53,210	5,271,047
<b>Results</b>				
Segment result	55,207	22,810	(2,784)	75,233
Finance cost				(6,336)
Taxation				(18,430)
Profit for the financial year				<u>50,467</u>
<b><u>As at December 31, 2016</u></b>				
<b>Other Information</b>				
Segment assets	864,266	805,217	25,366	1,694,849
Unallocated assets				161,949
Total assets				<u>1,856,798</u>
Segment liabilities	(420,650)	(719,379)	(1,598)	(1,141,627)
Unallocated liabilities				(184,084)
Total liabilities				<u>(1,325,711)</u>
Capital expenditure	1,538	2,470	3,236	7,244
Depreciation	(1,736)	(2,484)	(5,311)	(9,531)

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**SEGMENTAL INFORMATION**

<u>For The Year Ended December 31, 2015</u>	<u>Marketing &amp; Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>				
Total revenue	2,523,246	2,992,255	56,685	5,572,186
<b>Results</b>				
Segment result	41,439	15,663	(2,124)	54,978
Finance cost				(3,969)
Taxation				(14,173)
Profit for the financial year				<u>36,836</u>

<u>As at December 31, 2015</u>	<u>Marketing &amp; Distribution Services</u>	<u>Logistics Services</u>	<u>Others</u>	<u>Consolidated</u>
	RM'000	RM'000	RM'000	RM'000
<b>Other Information</b>				
Segment assets	861,525	791,302	35,675	1,688,502
Unallocated assets				130,208
Total assets				<u>1,818,710</u>
Segment liabilities	(455,557)	(669,503)	(2,411)	(1,127,471)
Unallocated liabilities				(195,660)
Total liabilities				<u>(1,323,131)</u>
Capital expenditure	2,306	2,545	19,245	24,096
Depreciation	(1,851)	(2,481)	(4,942)	(9,274)

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Quarterly report on consolidated results for the financial quarter ended December 31, 2016.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(I) Compliance with MFRS 134: Interim Financial Reporting**

**1. Corporate Information**

The Company is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by the Board of Directors on February 21, 2017.

**2. Accounting Policies and Basis of Preparation**

The unaudited condensed consolidated interim financial statements for the current quarter and year ended December 31, 2016 have been prepared in accordance with MFRS 134 (Interim Financial Reporting) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended December 31, 2015.

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements of the Group for the year ended December 31, 2015. The new, revised and amended MFRS and IC Interpretations, which are effective for the financial periods beginning on or after January 1, 2016, did not have any material impact on the financial results of the Group.

**3. Disclosure of Audit Report Qualification and Status of Matters Raised**

The auditors' report on the financial statements of the Group for the year ended December 31, 2015 was not qualified.

**4. Seasonal or Cyclical Factors**

The Group's segments cover primarily Consumer Goods and Healthcare businesses. Consequently, net sales are influenced by the festive seasons of Chinese New Year, Hari Raya, Deepavali and Christmas.

**5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the quarter under review.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6. Material Changes in Estimates**

There were no material changes in estimates used to prepare these interim financial statements.

**7. Changes in Debt and Equity Securities**

There were no changes in debt and equity securities during the quarter under review.

**8. Dividend Paid**

The following dividend payment was made during the year ended December 31, 2016:

	RM'000
In respect of the financial year ended December 31, 2015:	
- Final single tier dividend of 9.5 sen per share paid on July 14, 2016	<u>14.978</u>

**9. Segment Information**

The Group's segmental information for the financial year ended December 31, 2016 and December 31, 2015 is presented separately in this interim financial report.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. Profit before Tax from Operations**

The following items are included in profit before tax from continuing operations:

	Current quarter ended		Cumulative Year-to-Date ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	RM'000	RM'000	RM'000	RM'000
Depreciation	2,341	2,630	9,531	9,274
Amortization of trademark	252	251	1,004	1,004
(Gain)/loss on derivatives	(66)	2,117	(387)	168
Rental income	(240)	(561)	(1,008)	(787)
Interest income	(36)	(72)	(449)	(468)
Interest expenses	1,716	1,458	6,336	3,969
Gain on disposal of property, plant and equipment	(19)	(33)	(163)	(97)
Allowance for impairment of trade receivables	133	574	14,956	1,507
Inventories written off	3,940	6,035	9,607	13,851
Net (reversal)/allowance of inventory obsolescence	(598)	494	(582)	384
Net unrealized foreign exchange loss	925	608	925	387
Gain on disposal of quoted/unquoted investment	-	-	-	-
Impairment of assets	-	-	-	-
Exceptional items	-	-	-	-

**11. Valuation of Property, Plant and Equipment**

Property, plant and equipment have been brought forward without amendment from the previous audited annual financial statements.

**12. Material Events subsequent to the end of the Financial Period**

There were no material events subsequent to the end of the period reported that have not been reflected in the interim financial statements for the year ended December 31, 2016.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**13. Changes in the Composition of the Group**

There were no changes in the composition of the Group during the quarter under review.

**14. Related Party Disclosures**

The following table provides information on significant transactions which have been entered into with related parties during the year ended December 31, 2016 and December 31, 2015, as well as the balances with the related parties as at December 31, 2016 and December 31, 2015:

	Current year ended December 31, 2016 RM'000	Preceding year ended December 31, 2015 RM'000	Intercompany balances - due from/(to) as at	
			December 31, 2016 RM'000	December 31, 2015 RM'000
<b>Sale of goods and services:</b>				
- related company (goods)	2,498	2,402	630	488
- related company (rental)	1,008	787	69	-
- related company (cost sharing)	398	157	39	-
- related company (human resource and information technology charges)	586	603	72	55
	<u>4,490</u>	<u>3,949</u>	<u>810</u>	<u>543</u>
<b>Purchase of goods and services:</b>				
- related company (goods)	57,509	60,319	(8,038)	(9,325)
- related company (management fee)	4,383	4,696	(797)	(1,039)
- related company (information technology charges)	14,876	14,374	(1,177)	(657)
- other related party (rental)	9,180	9,180	-	-
<b>Others (interest):</b>				
- immediate holding company	570	331	(125)	(23)
- intermediate holding company	392	448	(33)	(33)
- related company	-	47	-	-
	<u>86,910</u>	<u>89,395</u>	<u>(10,170)</u>	<u>(11,077)</u>

The amounts receivable from or payable to related parties are unsecured, non-interest bearing and carry credit terms between 30 to 120 days. There were no overdue balances from related parties as at December 31, 2016.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**15. Changes in Contingent Liabilities or Contingent Assets**

There were no changes in contingent liabilities or contingent assets since the quarter ended December 31, 2016 and up to February 21, 2017.

**16. Capital Commitments**

Authorized capital commitments not provided for in this interim financial report as at December 31, 2016 are as follows:

	RM'000
Contracted	869
Analyzed as follows:	<hr/>
- Property, plant and equipment	<hr/> 869

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA  
MALAYSIA SECURITIES BERHAD – YEAR ENDED DECEMBER 31, 2016**

(II) **Compliance with Appendix 9B of the Listing Requirements**

1. **Review of Performance**

**Quarterly**

Revenues declined by 2.2% from RM 1.36 billion in the fourth quarter of 2015 to RM 1.33 billion in the fourth quarter of 2016, while increasing by 5.5% from RM 1.26 billion in the third quarter of 2016. This reduction in revenues against prior year reflects the change in a telecommunications client that was expected to reduce revenues, while also reflecting seasonal consumer demand when compared to the preceding third quarter of 2016.

In the fourth quarter of 2016, operating costs decreased by 2.4% compared to the fourth quarter of 2015, while increasing by 4.5% compared to the preceding third quarter of 2016. The result compared to prior year shows a reduction in costs due to the reduction in revenue, with an additional reduction in other costs due to underlying cost efficiencies. The increase against the preceding third quarter of 2016 is due to increased cost of products related to increasing revenues.

Profit before tax in the fourth quarter of 2016 improved by 31.6% compared to the fourth quarter of 2015, and 136.2% compared to the preceding third quarter of 2016. The result against prior year is driven by the improved cost base and improved revenue (when telecommunications changes are considered), while the result compared to the preceding quarter is driven by the increase in revenues and the effect of the one-off doubtful debt provision in the preceding quarter.

**Year-to-date**

Revenues declined by 5.4% from RM 5.57 billion in 2015 to RM 5.27 billion in 2016. The key variance was a change in telecommunications client. Without this effect, revenues would have increased by high single digits.

Operating expenses declined by 5.8% from RM 5.52 billion in 2015 to RM 5.20 billion in 2016. Operating expenses declined over proportionally, primarily due to a lack of double rent and additional warehouse costs which were experienced in 2015 as a result of distribution center and office moves, which were somewhat offset by additional doubtful debt provisions of a one-off nature recorded in 2016.

Profit before tax in 2016 was RM 68.90 million, which is 35.1% higher than the RM 51.01 billion recorded in 2015. The key variance is improved revenues on higher margin products and reduced operating expenses relating to notes above.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Comments to the Performance of the Business Segments

**Marketing and Distribution segment**

Under the segment Marketing and Distribution, the Group provides the full range of services. The service portfolio ranges from marketing and sales, to distribution and logistics, invoicing and credit control, handling of inventory and trade returns and other value added services.

**Quarterly**

Revenues for the fourth quarter of 2016 were RM 648.4 million, which were 4.0% higher than revenues of RM 623.4 million in the corresponding fourth quarter of 2015 and 0.7% higher than the RM 644.1 million revenues of the preceding third quarter of 2016. This segment's improved revenues compared to prior year and the preceding quarter primarily reflect organic growth in existing clients.

The fourth quarter 2016 operating result was RM 11.7 million, which was 1.0% below the same fourth quarter of 2015 and 17.0% above the preceding third quarter of 2016. The slight reduction in operating result compared to the same quarter of last year reflects a slight shift in margin mix between the two quarters. The improvement against the preceding quarter reflects the improved revenue and comparably stable cost base.

**Year-to-date**

Revenues for 2016 were RM 2.66 billion, which were 5.3% higher than revenues of RM 2.52 billion in 2015. This improvement primarily reflects organic growth in existing clients.

The operating result for 2016 was RM 55.2 million, which is a 33.2% improvement over the RM 41.4 million recorded in 2015. This result reflects improved margin on higher revenues as well as lower operating costs with a lack of additional moving or warehousing costs in 2016.

**Logistics segment**

Under the segment Logistics, the Group provides supply chain services ranging from warehousing and distribution, to order processing and sales collections. Sales and marketing services for clients in this segment are generally not provided by the Group, but are mostly run by the clients. The businesses represented under this segment include the Healthcare business and supply chain focused parts of the Consumer Goods business.

**Quarterly**

Revenues for the fourth quarter of 2016 decreased by 7.7% compared to the fourth quarter of 2015, declining from RM 717.2 million to RM 661.7 million, while increasing by 10.0% against those of the preceding third quarter of 2016 which was RM 601.6 million. The reduction against prior year is due to the change in telecommunications client, which is offset by organic growth in existing clients. The improvement against the preceding quarter is primarily due to weak consumer demand in the preceding quarter and some improvement seen from seasonal sales in the fourth quarter.

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The operating result for this segment in the fourth quarter of 2016 was RM 7.0 million, which is a 41.6% increase on the same fourth quarter of 2015 and a 457.0% increase on the preceding third quarter of 2016. The result against prior year reflects improved margin mix, while the large improvement against the preceding quarter is primarily due to the one-off doubtful debt provision in the preceding quarter, with some additional effect from improved revenues.

**Year-to-date**

Revenues for 2016 at RM 2.56 billion were 14.4% below 2015 which was RM 2.99 billion. The key variance was the revenue reduction from the change in telecommunications client. With this effect removed revenues would have grown by strong double digits primarily due to organic growth on existing clients and stronger consumer demand.

The operating result for 2016 was RM 22.8 million, which was 45.6% higher than 2015 at RM 15.7 million. This strong growth was mainly due to the above mentioned strong growth in revenue (when telecommunications are excluded) and a lower cost base with less double costs.

**Others segment**

This segment consists most notably of the Famous Amos chocolate chip cookie retail chain, as well as central overheads including rental.

**Quarterly**

Revenues were RM 16.3 million in the fourth quarter of 2016 which increased by 6.8% on the same fourth quarter of 2015 and by 44.3% on the preceding third quarter of 2016. The improvement in revenue against prior year reflects improved consumer demand while against the preceding quarter it is both generally improved consumer demand and the effect of seasonal sales. At the end of the fourth quarter of 2016, Famous Amos operated 85 outlets nationwide.

The operating result for the fourth quarter of 2016 was RM 1.2 million, which represents a RM 2.7 million improvement on the corresponding fourth quarter of 2015 and a RM 3.2 million on the preceding third quarter of 2016. This improvement was largely due to the large improvement in revenues mentioned above.

**Year-to-date**

Revenues were RM 53.2 million in 2016 which is 6.1% below the RM 56.7 million recorded in 2015. The key factors are a more competitive market and a strategic focus on more profitable outlets.

The operating result for 2016 recorded a loss of RM2.8 million, a 31.1% increase on the loss of RM2.1 million in 2015. This reflects the declining revenues discussed above.

**2. Material Changes in Profit before Taxation for the Current Quarter as compared to the Immediate Preceding Quarter**

There were no material items that have affected the performance of the fourth quarter of 2016 compared to the third quarter of 2016.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3. Prospects**

The Group takes a positive outlook on 2017. Market conditions remain variable but are expected to be largely similar to 2016. Costs remain stable and no major expenses or infrastructure upgrades are planned in 2017 as the recently improved infrastructure remains able to support the growth currently being experienced. Revenues are expected to resume growth in 2017 as there will no longer be an effect of the change in telecommunications client.

The client and customer portfolio remains well diversified and supported by a strong sales, marketing and distribution infrastructure with a capillary reach. With a scalable business model, the Group offers a comprehensive portfolio of services along the entire value chain, customized and tailor-made to clients' specific needs. Furthermore, operational risk management processes and controls, supported by an industry leading IT system, continue to support the existing businesses as well as new clients.

Two market trends additionally support a positive medium-to-long-term outlook for the Group. Firstly, the growing middle class in Malaysia supports the demand for consumer goods and healthcare products. Secondly, manufacturers increasingly focus on core competencies and seek specialized service providers in order to grow the market for and with them.

**4. Variance of Actual Profit from Forecast Profit**

The Group did not issue any profit forecast.

**5. Taxation**

	Quarter ended December 31, 2016 RM'000	Quarter ended December 31, 2015 RM'000	Year ended December 31, 2016 RM'000	Year ended December 31, 2015 RM'000
Current year	4,275	3,056	19,054	14,019
Deferred tax	519	662	(624)	154
	<u>4,794</u>	<u>3,718</u>	<u>18,430</u>	<u>14,173</u>

The effective tax rate for the quarter ended December 31, 2016 decreased back to normal levels as compared to previous quarter due to stronger performance of the main operating unit for the quarter. As compared to same period last year, the effective tax rate is lower due to the lower corporate tax rate of 24% for the year.

Year-to-date effective tax rate was lower than previous year mainly due to lower corporate tax rate and the poorer year-to-date performance for 2015 post Goods and Services Tax. This was partially offset by higher non-deductible expenditure in the form of depreciation of the new offices which affected the current year but not the first half of 2015.

**6. Status of Corporate Proposals Announced**

There were no corporate proposals announced but not completed as at February 21, 2017.

**DKSH HOLDINGS (MALAYSIA) BERHAD** (231378-A)  
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**QUARTERLY REPORT**

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7. Group Borrowings and Debt Securities**

	As at December 31, 2016 RM'000
<u>Short Term Borrowings</u>	
Unsecured and fully denominated in Ringgit Malaysia:	
- Bank borrowing	30,000
- Advances from holding companies	52,932
	<u>82,932</u>

**8. Disclosure of Derivatives**

Type of derivatives	Contract / Notional	
	Value 31/12/2016 RM'000	Fair Value 31/12/2016 RM'000
Foreign exchange contracts - less than 1 year	20,878	21,191
<b>Total</b>	<u>20,878</u>	<u>21,191</u>

Foreign currency transactions in Group companies are accounted for at exchange rates ruling at transaction dates. Foreign currency monetary assets and liabilities are translated at exchange rates ruling at the date of the statement of financial position, unless hedged by forward foreign exchange contracts when the rates specified in such forward contracts are used. Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the statement of comprehensive income.

Future liabilities in foreign currencies are covered by forward-purchased currencies from reputable banks when their amounts and due dates are known. Forward hedges are exclusively used for bona-fide and documented trade transactions and not for speculative purposes in line with the DKSH Treasury policy.

The Group's open foreign exchange contracts have been fair valued using the current market rates as at December 31, 2016 resulting in an unrealized derivative gain of RM 0.3 million.

The unrealized derivative gain as at December 31, 2016 was RM 0.4 million due to the weakening of the MYR after forex contracts were entered into. In total, an unrealized gain on derivative contracts amounting to RM 0.4 million had been charged to the statement of comprehensive income for the year ended December 31, 2016 representing the gain of RM 0.3 million for the year and the reversal of unrealized derivative loss of RM 0.1 million on the outstanding contracts at balance sheet date last year.

**9. Changes in Material Litigation**

There is no material litigation as at February 21, 2017.



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**10. Dividend Proposed or Declared**

There was no dividend declared or recommended for the quarter under review.

**11. Earnings Per Share**

(a) The earnings used as the numerator in calculating basic and diluted earnings per share for the quarter under review and for the year ended December 31, 2016 are RM 13,366,000 and RM 50,467,000 respectively.

(b) The weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share for the quarter under review and for the year ended December 31, 2016 is 157,658,076.

**12. Auditors' report on preceding annual financial statements**

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2015.

**13. Disclosure of Realised and Unrealised Profits**

	Current Financial Quarter December 31, 2016 RM'000	As at the end of preceding Financial Year December 31, 2015 RM'000
Total retained profits of DKSH Holdings (Malaysia) Berhad and its subsidiaries:		
- Realised	332,290	297,843
- Unrealised	2,988	1,946
	<hr/> 335,278	<hr/> 299,789
Consolidated adjustments	13,462	13,462
<b>Total group retained profits as per financial statements</b>	<hr/> <b>348,740</b>	<hr/> <b>313,251</b>

By Order of the Board

Lwee Wen Ling (MAICSA 7058065)  
Company Secretary

Andre' Chai P'o-Lieng (MAICSA 7062103)  
Company Secretary

Petaling Jaya  
February 21, 2017